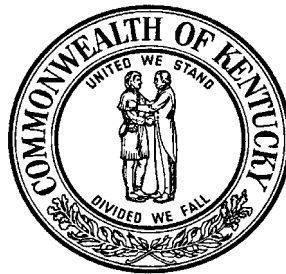


**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Harold Tomlinson, Carroll County Judge/Executive
Honorable Charles Maiden, Jr., Carroll County Sheriff
Members of the Carroll County Fiscal Court

The enclosed report prepared by Kapp & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Carroll County, Kentucky, for the year ended December 31, 2002.

We engaged Kapp & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Kapp & Company, PLLC, evaluated the Carroll County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure





Kapp & Company, PLLC

Certified Public Accountants &
Business Advisors

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2002**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARROLL COUNTY SHERIFF

**For The Year Ended
December 31, 2002**

The Carroll County Sheriff's 2002 fee audit was contracted to Kapp and Company, PLLC through a request for proposal (RFP) for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$14,813 from the prior calendar year, resulting in excess fees of \$39,509 as of December 31, 2002. Revenues increased by \$57,468 from the prior year and disbursements increased by \$99,582.

Report Comments:

- Lacks Adequate Segregation Of Duties
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Reimburse The Fee Account For Salary Paid In Excess of Statutory Maximum

Deposits:

On November 20, 2003, \$6,060 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

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Kapp & Company, PLLC
Certified Public Accountants &
Business Advisors

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Dana Mayton, Secretary, Revenue Cabinet
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Honorable Charles Maiden, Jr., Carroll County Sheriff
Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Carroll County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Harold Tomlinson, Carroll County Judge/Executive
Honorable Charles Maiden, Jr., Carroll County Sheriff
Members of the Carroll County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Lacks Adequate Segregation Of Duties
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Reimburse The Fee Account For Salary Paid In Excess of Statutory Maximum

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp and Company, PLLC

Audit fieldwork completed -
July 22, 2003

CARROLL COUNTY
CHARLES MAIDEN, JR., COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

State - Kentucky Law Enforcement Foundation Program Fund	\$	13,190
State Fees For Services:		
Finance and Administration Cabinet		28,559
Circuit Court Clerk:		
Sheriff Security Service	\$	29,776
Fines and Fees Collected	<u>2,105</u>	31,881
Fiscal Court		19,343
County Clerk		
Delinquent Taxes		433
Election Commission		216
Commission On Taxes Collected		191,614
Fees Collected For Services:		
Auto Inspections	\$	6,735
Serving Papers	17,700	
Carrying Concealed Deadly Weapon Permits	<u>4,478</u>	28,913
Other:		
Add-on Fees	\$	12,592
Reimbursements	1,227	
Miscellaneous	1,309	
Transporting Prisoners	<u>40</u>	15,168
Interest Earned		2,416
Borrowed Money:		
State Advancement	\$	92,144
Loan from 2001 Fee Account	12,500	
Repayment from 2003 Fee Account	<u>12,000</u>	116,644
Total Receipts	\$	<u>448,377</u>

The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY
 CHARLES MAIDEN, JR., COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$	94,916	
Part-Time Salaries		17,604	
Other Salaries		24,442	
Overtime		11,653	
KLEFPF Pay		12,400	

Employee Benefits-

Match KLEFPF		794	
Employer Paid Health Insurance		17,650	\$ 179,459

Materials and Supplies-

Office Materials and Supplies	\$	2,387	
Uniforms		8,645	

Auto Expense-

Gasoline		10,607	
Maintenance and Repairs		10,597	

Other Charges-

Conventions and Travel		3,155	
Dues		463	
Postage		2,779	
Bond		756	
Carrying Concealed Deadly Weapon Permits		3,070	
Telephone		4,931	
Miscellaneous		1,680	
Fees Assessed for Service to Fiscal Court		4,420	
Transporting Prisoners		914	54,404

Debt Service:

State Advancement	\$	92,144	
Repayment of 2001 Fee Account		12,500	
Loan to 2003 Fee Account		12,000	116,644

Total Disbursements

\$ 350,507

Net Receipts

\$ 97,870

Less: Statutory Maximum

57,811

Excess Fees Due County for 2002

\$ 40,059

Payments to County Treasurer - February 26, 2003

39,059

Balance Due at Completion of Audit

\$ 1,000

The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year. The county's contribution rate for hazardous employees was 16.28 percent.

CARROLL COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2002
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 20, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$6060 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 20, 2002.

	<u>Bank Balance</u>
FDIC insurance and collateralized with securities held by pledging depository institution in the county official's name	\$ 132,671
Uncollateralized and uninsured	<u>6,060</u>
Total	<u><u>\$ 138,732</u></u>

Note 4. K-9 Account

The Sheriff has an account used for the care and upkeep of a drug dog. The account is also used for making drug buys. The account had a beginning balance of \$722, receipts of \$15,141 and disbursements of \$11,505. The account had an ending balance of \$4,358 as of December 31, 2002.

Note 5. Lease

The Office of the County Sheriff is committed to a lease agreement with De Lage Landen for a copy machine. The agreement requires a monthly payment of \$82 for 48 months to be completed in July 2006. The total balance of the agreement is \$3,444 as of December 31, 2002.

COMMENTS AND RECOMMENDATIONS

CARROLL COUNTY
CHARLES MAIDEN, JR., COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2002

INTERNAL CONTROL - REPORTABLE CONDITION:

Lacks Adequate Segregation Of Duties

During our review of internal control, we found that the office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. However, the lack of segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically agree daily tax collections totals to receipts ledger and deposit slip.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled.
- The Sheriff should agree monthly tax reports to receipts ledger and disbursements ledger.

These reviews should be indicated with the Sheriff's initials.

County Sheriff's Response:

No response.

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On November 20, 2002, \$6,060 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Sheriff's Response:

No response.

The Sheriff Should Reimburse The Fee Account For Salary Paid In Excess of Statutory Maximum

The Sheriff was paid \$1,000 more than the Statutory Maximum for the year. To correct the overpayment, the Sheriff should reimburse the fee account for the overpayment.

County Sheriff's Response:

No response.

CARROLL COUNTY
CHARLES MAIDEN, JR., COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2002
(Continued)

PRIOR YEAR:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To
Protect Deposits

The comment is repeated this year; however, the prior year unsecured amount was \$600,951 and
the current year is \$6,060.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Kapp & Company, PLLC

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To the People of Kentucky

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Members of the Carroll County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Carroll County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated July 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carroll County Sheriff's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and are described in the accompanying comments and recommendations.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Reimburse The Fee Account For Salary Paid In Excess of Statutory Maximum

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carroll County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kapp & Company, PLLC".

Kapp and Company, PLLC

Audit fieldwork completed -
July 22, 2003

